



UNECE

United Nations Economic Commission for Europe



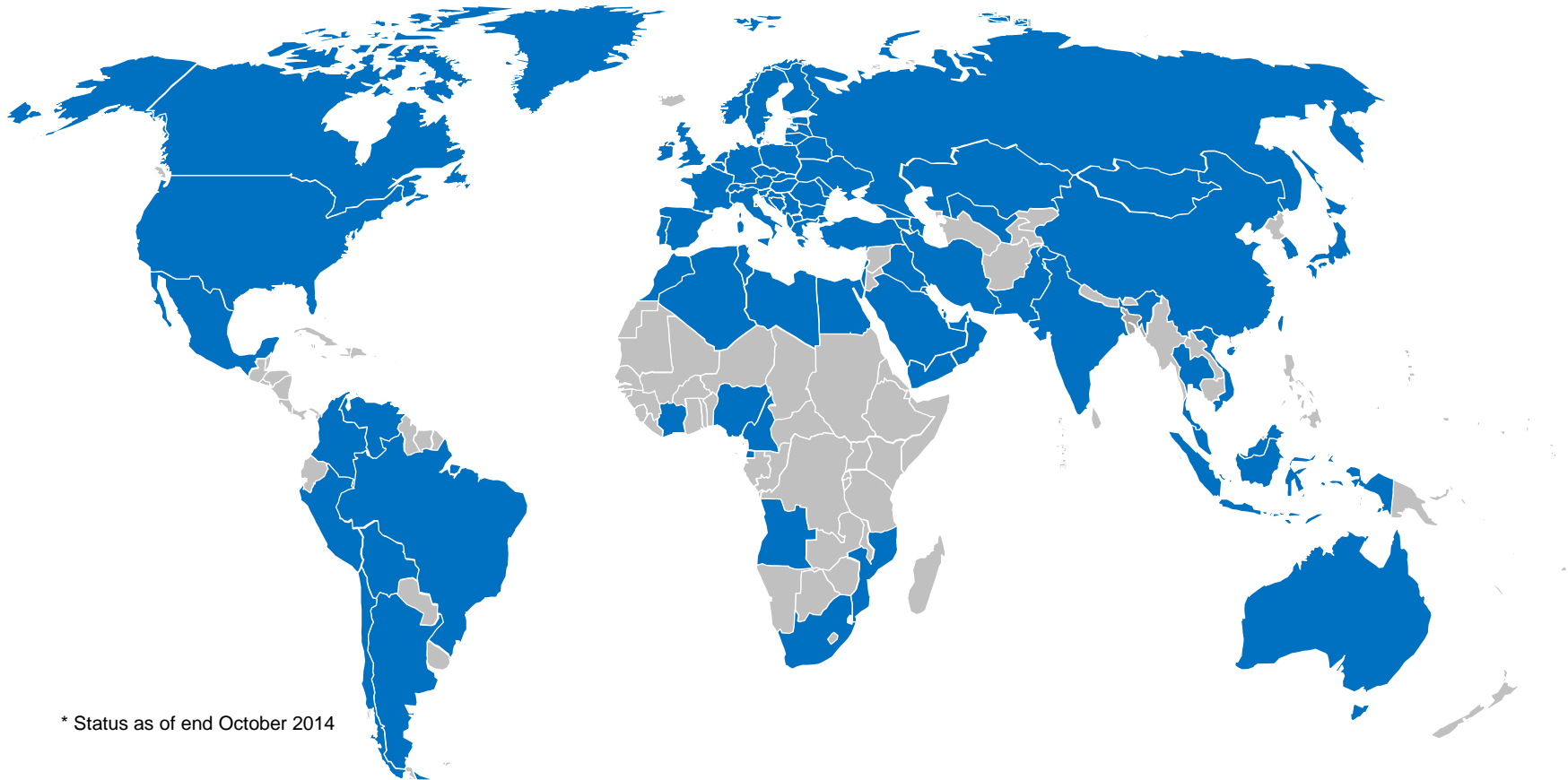
Outlook for the Long Term Contracts in a Globalizing Market



**Torstein Indrebø, Honorary Secretary General
International Gas Union**

Geneva, 19 January 2015

IGU Global Membership > 97 % of the global gas market



* Status as of end October 2014

Founded in 1931

www.igu.org

 **IGU members**

**91 Charter members
51 Associate members**

Business models in gas - changing

- **More globalised and liberalised markets**
- **From national to global gas companies**
- **Short term and trading with market access and hubs**
- **Companies moving up and down the value chain**
- **From gas to energy companies**



Changing business environment!

Value Chain for Gas

Piped Gas Chain

UPSTREAM

PROCESSING

TRANSPORT

TERMINAL

SALES



Long value chain, capital intensive and life time 20 yrs +

LNG Chain

UPSTREAM

LIQUEFACTION

SHIPPING

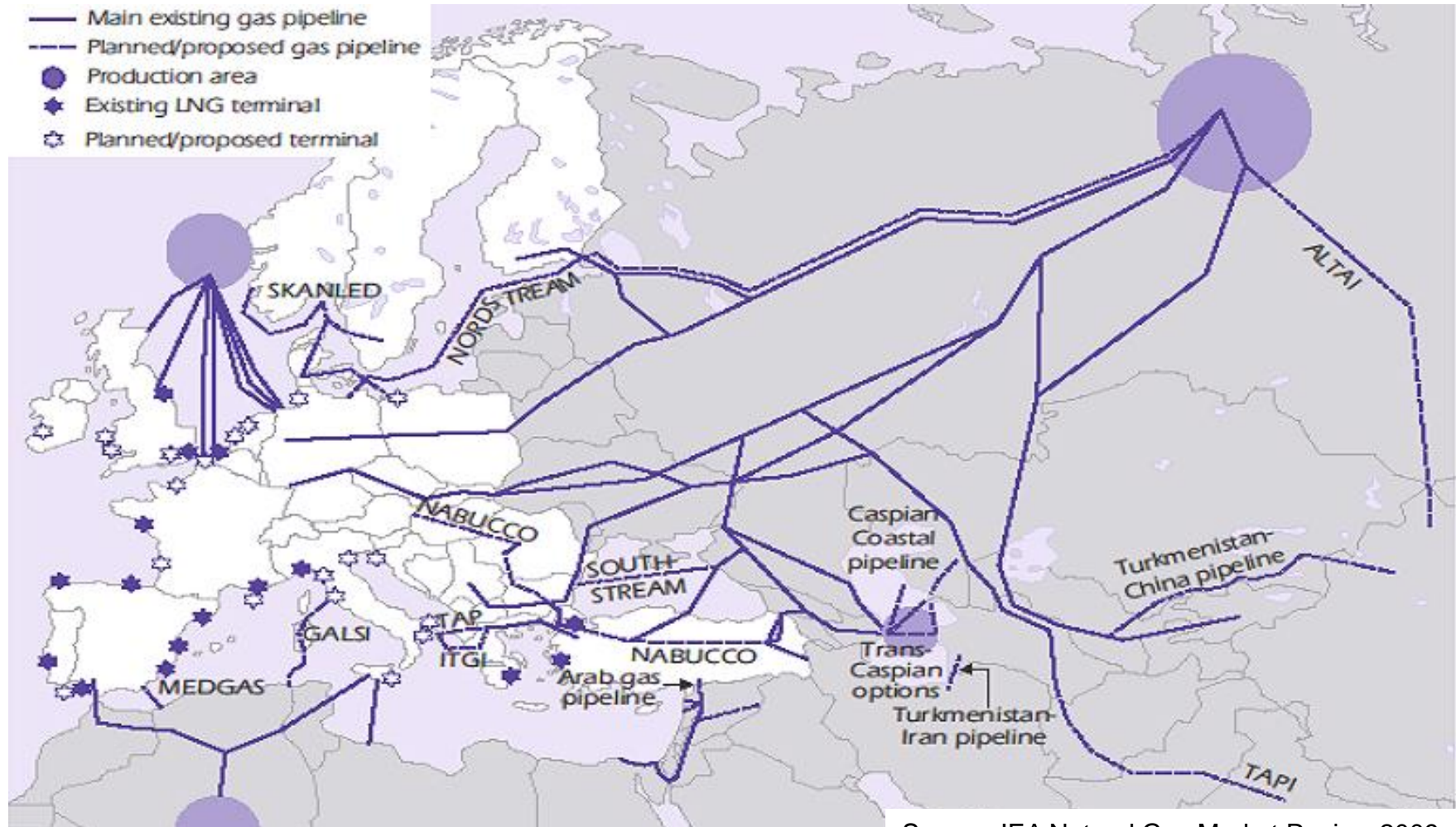
REGASIFICATION

SALES



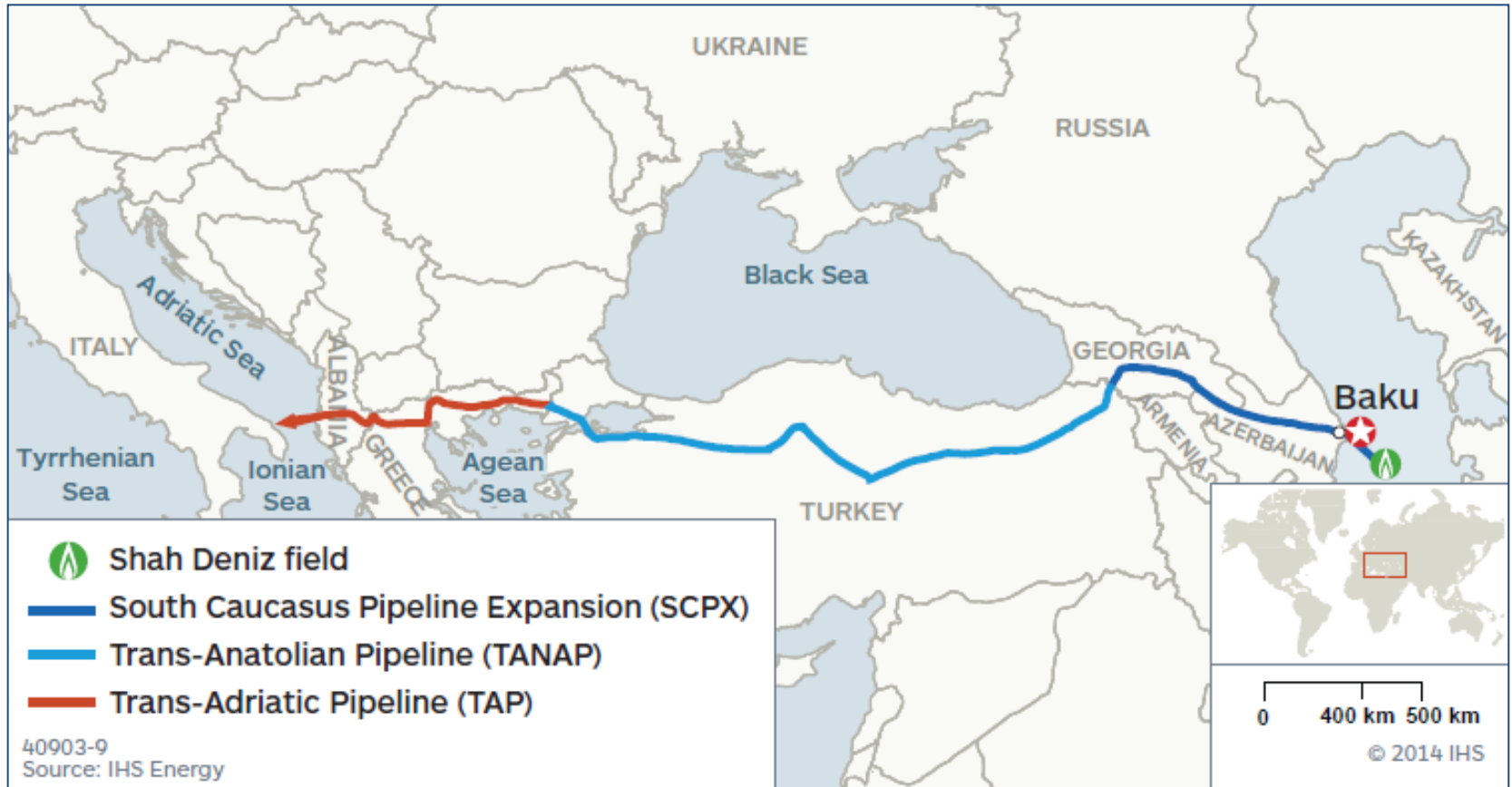
Risk management is important

Gas supply infrastructure



Azerbaijan – Italy

- Case for long term partnerships and contracts



China: Based on long term contracts



China 2012:
Production 107 bcm
Consumption 144 bcm

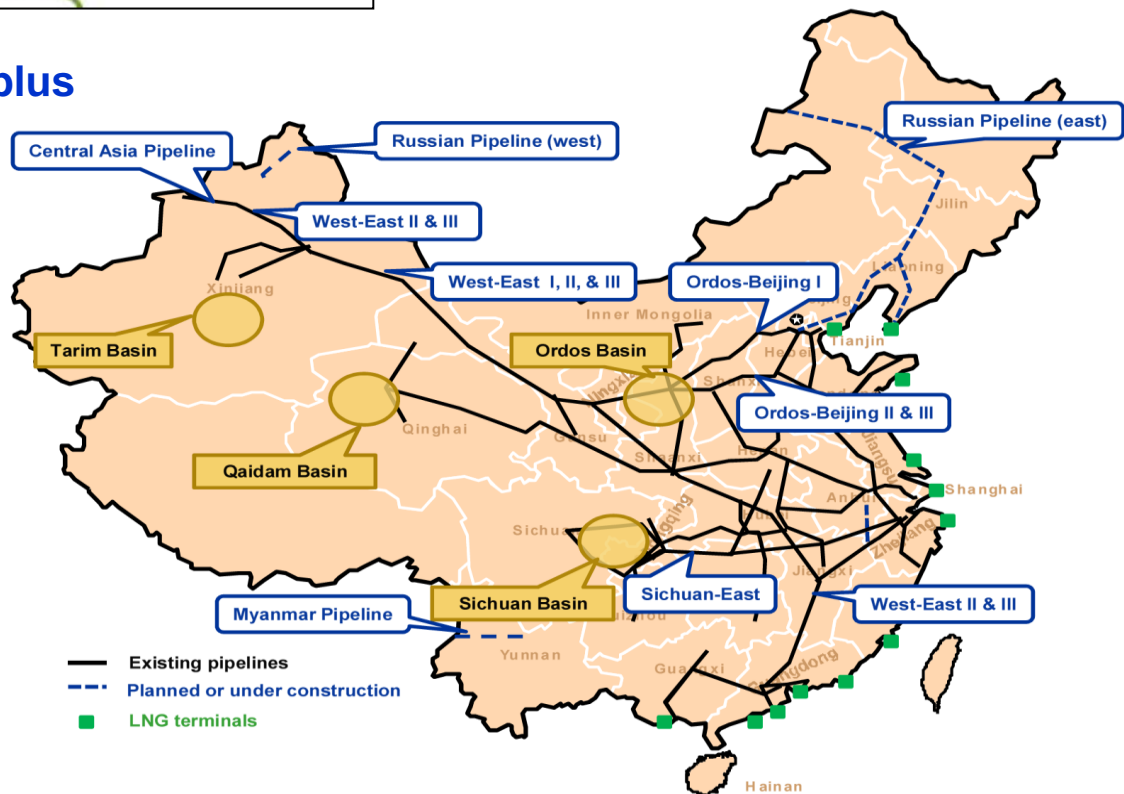
Source: BP Statistics 2013

Turkmenistan supplies 30 bcm/yr plus



Myanmar supplies 10 bcm/yr plus

Source: SHWE Gas Movement



Source: IHS CERA, various sources.

Long term contacts – secure investments

- Sales and purchase agreements
 - Supply and demand security (Russia-China)
- Liquefaction facilities – US gas exports
- Regasification terminals – gas import
- Pipelines – long haul
- Large end users as industrial and power companies



LTC - managing investment risk

Conclusions

- LTC – a key vehicle for expansion of gas markets
- LTC flexibility:
 - price reviews, destination clauses
 - take or pay levels & annual/daily flexibility
- LTC - confirm political and business partnership



***Long term contracts
- a stabilising factor in global gas trade***

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Thank you for your attention!



Natural Gas – keeps the lights on!